CONTINENTAL GOLD

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

March 7, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the activities, financial condition and results of the operations of Continental Gold Limited (the company resulting from the amalgamation of Cronus Resources Ltd. and Continental Gold Limited) (the "Company" or "CGL") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2011. This discussion, dated March 7, 2012, should be read in conjunction with the audited financial statements of the Company for the year ending December 31, 2011, together with the notes thereto. Commencing January 1, 2011, the Company began reporting under International Financial Reporting Standards ("IFRS"). The audited financial statements for the year ending December 31, 2011 have been prepared in accordance with IFRS with comparative information for 2010 restated under IFRS (refer to Note 28 of the audited financial statements for the year ending December 31, 2011 for reconciliations from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS). All dollar amounts in this MD&A are in United States ("U.S.") dollars, unless stated otherwise. References to C$ and COP are to Canadian dollars and Colombian pesos, respectively. Information contained herein is presented as of March 7, 2012, unless otherwise indicated.

Further information about the Company and its operations is available on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking statements" within the meaning of applicable Canadian securities legislation and applicable U.S. securities laws. Except for statements of historical fact relating to the Company (as hereinafter defined), information contained herein constitutes forward-looking statements, including, but not limited to, statements with respect to the potential of the Company's properties; the future price of gold and other mineral commodities; success of exploration activities; cost and timing of future exploration and development; conclusion of economic evaluations; requirements for additional capital; other statements relating to the financial and business prospects of the Company; and other information as to the Company's strategy, plans or future financial or operating performance.

Generally, forward-looking statements are characterized by the use of forward-looking terminology such as "plans", "expects" for "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "is projected", "anticipates" or "does not anticipate", "believes", "targets", or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results "may", "could", "should", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management considered reasonable at the date the statements are made in light of management's experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that it believes to be relevant and reasonable in the circumstances at the date that such statements are made. Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: the actual results of exploration activities; the inherent risks involved in the exploration and development of mineral properties; changes in project parameters as plans continue to be refined; delays in obtaining government approvals; the uncertainties of project cost overruns or unanticipated costs and expenses; uncertainties inherent in conducting operations in a foreign country; title risks related to the ownership of the Company's projects and the related surface rights and to the boundaries of the Company's projects; the Company's limited operating history; uncertainties related to the availability and costs of financing needed in the future; fluctuations in mineral prices; uninsurable risks related to exploration, development and production; reliance on a preliminary economic assessment to determine the potential economic viability of the mineral resources comprising the Buriticá project; uncertainties of construction and operating cost overruns; the risk that the conclusion of pre-production studies may not be accurate; uncertainties of construction and operating cost overruns; unexpected adverse changes that may result in failure to comply with environmental and other regulatory requirements; differing interpretations of tax regimes in foreign jurisdictions; the loss of Canadian tax resident status; uncertainties inherent in competition with other exploration companies; non-governmental organization intervention and the creation of adverse sentiment among the inhabitants of areas of mineral development; uncertainties related to conflicts of interest of directors and officers of the Company; dependence on key management employees; reliance on outside contractors in certain mining operations; labour and employment matters; the presence of artisanal miners; the reliability of resource estimates; the ability to fund operations through foreign subsidiaries; the residency of directors, officers and others; uncertainties related to holding minority interests in other companies; foreign currency fluctuations; unreliable historical data for projects; reliance on adequate infrastructure for mining activities; health and safety risks; compliance with government regulation; the market price of shares of the Company; the payment of future dividends; future sales of shares of the Company; accounting policies and internal controls; and Bermuda legal matters. See "Risks and Uncertainties" for a more detailed list of risk factors.

Although management of the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and the Company's plans and objectives and may not be appropriate for other purposes. The Company does not undertake to update any forward-looking statements contained herein or incorporated by reference herein, except in accordance with applicable securities laws.

Differences in Reporting of Resource Estimates

This MD&A was prepared in accordance with Canadian standards which differ in some respects from United States standards. In particular, and without limiting the generality of the foregoing, the terms "inferred mineral resources," "indicated mineral resources," "measured mineral resources" and "mineral resources" used or referenced in this MD&A are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves (the "CIM Standards"). The CIM Standards differ significantly from standards in the United States. While the terms "mineral resource," "measured mineral resources," "indicated mineral resources," and "inferred mineral resources" are recognized and required by Canadian regulations, they are not defined terms under standards in the United States. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. Readers are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. Readers are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable. Disclosure of "contained ounces" in a mineral resource is permitted disclosure under Canadian regulations; however, United States companies are only permitted to report mineralization that does not constitute "reserves" by standards in the United States as in place tonnage and grade without reference to unit measures. Accordingly, information regarding mineral resources contained or referenced in this MD&A containing descriptions of our mineral deposits may not be comparable to similar information made public by United States companies.

EXECUTIVE SUMMARY

Continental Gold Limited (TSX: CNL) is an advanced-stage exploration and development company with seven gold projects covering over 135,282 hectares in highly-prospective areas with known historical gold production in Colombia.

Formed in April 2007, the Company is committed to increase its value through the exploration and development of precious metal deposits. The Company's international management team has a successful track record of discovering and developing bulk mining targets and multi-million ounce gold deposits while its technical team boasts more than 40 years of mining and exploration experience in Colombia. Their in-depth knowledge of Colombian mineral properties has guided the Company to acquire properties with substantial exploration and development potential. In addition to its extensive portfolio, the Company also has a right of first refusal, which currently expires September 7, 2012, on approximately four million hectares of potential precious or base metal concessions owned by a company controlled by the Chairman of the Company ("the Chairman") and engaged in the exploration, development, and mining of metal and industrial mineral deposits in Colombia.

The focus of the Company during 2011 was to advance the exploration and development program at its flagship high-grade gold project, Buriticá, located in Antioquia, Colombia.

2011 Highlights

- Advancement of the exploration program at the Buriticá project:
  - Announced a maiden NI 43-101 compliant gold, silver and zinc mineral resource estimate for the Yaragua and Veta Sur vein systems of 630,000 ounces of gold (average grade of 17.8 g/t), 1,500,000 ounces of silver (average grade of 42 g/t) and 18,700,000 pounds of zinc (average grade of 0.8%) in the measured and indicated category and 2,500,000 ounces of gold (average grade of 11.4 g/t), 9,500,000 ounces of silver (average grade of 43 g/t) and 88,000,000 pounds of zinc (average grade of 0.6%) in the inferred category. Please refer to the Company's NI 43-101 compliant technical report entitled "Mineral Resource Estimate of the Buriticá Gold Project, Colombia", dated October 24, 2011, as amended (the "Technical

Report"), available on the Company's website at www.continentalgold.com and under the Company's profile on SEDAR at www.sedar.com.

- Metallurgical test results conducted indicate that composite samples studied are amenable to gold recovery by (1) gravity concentration followed by cyanidation on the gravity tails or (2) gravity concentration followed by flotation on the gravity tails or (3) selective flotation of lead/gold/silver followed by zinc flotation on previously unprocessed material. Selective rougher flotation on previously unprocessed samples resulted in the production of a high-grade Pb-Au-Ag concentrate and a Zn concentrate with total gold and silver recoveries of 97.04 percent and 95.65 percent, respectively. Based on the preliminary metallurgical results achieved to date, selective rougher flotation is the ideal process for Buriticá samples based on the high gold and silver recoveries and the low mass pull of material.
- Completed approximately 56,000 metres of diamond drilling during 2011 for an overall project life total of approximately 100,000 metres to the end of 2011. Drilling has confirmed and expanded the Yaragua and Veta Sur zones.
- Expanded strike lengths and vertical extents of the Yaragua and Veta Sur zones to 600 metres x 600 metres and 550 metres x 1,180 metres, both of which are still open laterally and at depth. BUSY210 and BUSY221 were drilled deep into the Veta Sur system and demonstrated high grade gold-silver mineralization over vertical extents of up to 1,180 metres, and to more than 600 metres below the maiden NI 43-101 compliant resource model.
- Drill results in the Veta Sur system included: BUSY137 which intersected 10.23 metres of 44.76 g/t gold and 23.7 g/t silver, BUSY118 which intersected 10.0 metres of 28.26 g/t gold and 364.6 g/t silver, BUSY163 which intersected 18.1 metres of 24.89 g/t gold and 63 g/t silver, BUSY167 which intersected 25.45 metres of 12.02 g/t gold and 57.4 g/t silver, BUSY180 which intersected 2.1 metres of 21.31 g/t gold and 31.1 g/t silver, BUSY193 which intersected 30 metres of 20.0 g/t gold and 33 g/t silver, BUSY221 which intersected 10.2 metres of 83.8 g/t gold and 285 g/t silver and BUSY210 which intersected 4.1m of 25.1 g/t gold and 40 g/t silver and 1.2% zinc.
- Drill results in the Yaragua system included BUSY178 which intersected 6.6 metres of 6.01 g/t gold and 35.2 g/t silver, BUSY182 which intersected 4.5 metres of 9.8 g/t gold and 7.4 g/t silver, BUSY189 which intersected 8.1 metres of 137.5 g/t gold and 24 g/t silver, including 1.4 metres of 368.6 g/t gold and 31 g/t silver and BUSY213 which intersected 3.0 metres of 162.7 g/t gold and 41 g/t silver. Environmental baseline program, hydrological and geo-mechanical testing are underway.

▪ Transferred its Arenosa and Zaragoza properties to Minerales OTU S.A.S. ("OTU"), a private Colombian company controlled by a company controlled by the Chairman, in exchange for a 25 percent equity interest in OTU (representing the approximate proportion of hectares transferred by the Company to OTU) with an estimated fair value of $2.5 million and resulting in a loss of $4.1 million recognized for the transfer.

▪ Acquired from the Chairman, (i) title to mineral concession contracts and rights to mineral applications adjacent to the Buriticá project and (ii) title to concession contracts adjacent to the Dominical project for total consideration of $6.4 million, including $2.0 million cash and 495,106 common shares of the Company.

SUMMARIZED FINANCIAL RESULTS

As at or Year ended In thousands of U.S. dollars	**December 31 2011**	December 31 2010	January 1 2010
	$	$	$
Financial Position			
Cash	**83,404**	97,208	1,604
Exploration and development assets	**83,521**	54,809	44,673
Total assets	**177,588**	159,136	48,837
Shareholders' equity	**155,804**	52,484	31,216
Operating Results			
Net income (loss)	**18,204**	(119,061)	
Adjusted net loss *	**(15,795)**	(10,692)	
Cash Flow			
Acquisition of and investment in exploration and evaluation assets, net of gold sales	**25,992**	11,511	
Cash flows from financing activities	**21,273**	110,626	
Net cash (out) inflow	**(12,527)**	93,862	

* Adjusted net loss is a non-GAAP measure and represents net income (loss) before gain on Canadian dollar-denominated warrants and loss on reverse acquisition.

DESCRIPTION OF BUSINESS

The Company is an advanced-stage exploration and development entity engaged in the acquisition, exploration, evaluation and development of principally gold resource properties in Colombia. The Company currently holds the rights to explore and develop seven properties in Colombia totaling approximately 102,264 hectares and has pending concession applications totaling approximately 33,018 hectares. There is no guarantee that the Company will be granted the pending concession applications. Currently, the Company's primary focus is on its Buriticá project.

The Company is governed by the laws of Bermuda and is a reporting issuer in Canada under applicable securities legislation of Ontario, Alberta and British Columbia. It carries on its operations through a branch office in Medellín, Colombia. The Company's issued and outstanding common shares, as well as share purchase warrants issued in a financing that closed on September 16, 2010, are listed on the TSX under the symbols "CNL" and "CNL-W", respectively.

The Company has no operating revenues and as such its ability to ensure continuing operations is dependent upon its discovery of economically recoverable reserves, confirmation of its interest in the underlying mineral claims, and its ability to obtain necessary financing to complete exploration activities, development and future profitable production.

2010 Amalgamation

On March 30, 2010, the Company, previously a Bermuda based, privately owned company, and Cronus, a TSX Venture Exchange ("TSX-V") listed company, completed an amalgamation with the Company being the resulting issuer. Each shareholder of the original Continental Gold Limited and Cronus received one common share of the Company for 2.6973 common shares of the original Continental Gold Limited and 2.35712 common shares of Cronus, respectively. The outstanding share purchase warrants and stock options of the original Continental Gold Limited and Cronus were converted into share purchase warrants and stock options of the Company by applying the same conversion ratios. The Company's common shares began trading on the TSX on April 19, 2010.

EXPLORATION SUMMARY

Exploration expenditures, net of recoveries, are summarized as follows:

Year ended December 31 In thousands of U.S. dollars	**2011**	2010
	$	$
Buriticá	**27,928**	12,477
Dominical	**543**	103
Berlin	**390**	1,270
Zaragoza[1]	**318**	61
Santander	**58**	102
Arenosa[1]	**9**	160
Anza	**6**	39
Dojura	**(107)**	(7)
Lunareja	**5**	–
	29,150	14,205

(1) On October 27, 2011, the Company transferred the Arenosa and Zaragoza properties to Otu in exchange for a 25 percent equity interest in Otu (see "Exploration Summary – Arenosa Project" and "Exploration Summary – Zaragoza Project".

Buriticá Project

The Buriticá project encompasses an aggregate area of 28,903 hectares and is located about 75 kilometres northwest of Medellín in the Antioquia Department of north-western Colombia. The project area is comprised of 23 registered concessions covering 10,379 hectares and 18 pending registration concessions totaling 18,524 hectares. As in the case of all the Company's properties, concession applications in process give the Company priority on the properties in question during the application process. The Buriticá project includes the Yaragua Mine that had previously been under small-scale production by the Company and is now also utilized for underground exploration development and a bulk sample testing operation.

Drilling activities continued throughout 2011. The Company completed approximately 56,196 metres of diamond drilling in 144 holes in 2011. Definition drilling on a 25 to 50-metre grid continued in the Yaragua area and on the Veta Sur vein package, and step-out drilling continued in both areas. Areas defined by soil anomalies to the north and south of currently known mineralization were also drilled in a reconnaissance fashion.

Drilling continues with ten drill rigs at the project, including two larger surface drill rigs capable of testing the system in excess of 900-metre depth, and 56,196 metres were completed in 2011 for an overall project total of over 100,000 metres. Drilling is scheduled to continue into fiscal 2012 at a pace of approximately 5,000 metres per month.

Pre-development

On September 15, 2011, the Company announced a maiden NI 43-101 compliant gold, silver and zinc mineral resource estimate for the Yaragua and Veta Sur vein systems. The resource estimate is based on 54,200 metres of drilling and 1,600 metres of underground sampling (as at June 30, 2011).

Drill results from the 2011 drill campaign and the Company's NI 43-101 compliant maiden resource estimate were disclosed in various Company news releases and the Technical Report, which are available under the Company's profile on SEDAR at www.sedar.com.

Many of the pre-development activities at Buriticá continued throughout 2011. The first stage of the hydrological study continued. Bid packages for the construction of the production tunnel that will be built at the bottom of the Higabra Valley were received and a contractor was selected. Construction will begin once environmental permits are received which is expected in the second half of fiscal 2012.

2011 Expenditures

During the three months and year ended December 31, 2011, the Company incurred $10.5 million and $33.9 million of deferred exploration and development costs, respectively (2010 - $8.2 million and $18.6 million, respectively), including $0.9 million and $4.3 million of capitalized share-based payments, respectively (2010 – $1.1 million and $2.3 million, respectively). Gold sales resulting from exploration work and drifting in ore at the Buriticá project amounted to $2.1 million and $6.0 million for the three months and year ended December 31, 2011, respectively (2010 – $1.0 million and $6.1 million, respectively) and are treated as a capital credit as they support ongoing exploration of the Buriticá project and, accordingly, are not included as a revenue item in the Company's statement of operations and comprehensive income (loss). As a result, net project expenditures for the three months and year ended December 31, 2011 totaled $8.4 million and $27.9 million, respectively (2010 - $7.2 million and $12.5 million, respectively).

In addition to exploration expenditures incurred during the year, the Company also completed a land acquisition transaction in May 2011 that included mineral concession contracts and rights to mineral applications adjacent to the Buriticá project from the Chairman, of which $4.7 million of the purchase cost was attributed and allocated to Buriticá.

During October 2011, the Company acquired, for a nominal amount, additional licenses for properties adjacent to the Buriticá project from a company controlled by the Chairman and reimbursed the related party $0.1 million for prepaid license fees.

Berlin Project

The Berlin project covers an aggregate area of 25,044 hectares. The project is comprised of eight registered concessions totaling 18,869 hectares, four pending registration concessions totaling 5,659 hectares and four concession applications totaling 516 hectares. The project area is located 90 kilometres north of Medellín in the Antioquia Department.

No work was performed at the Berlin project during 2011 but the Company hopes to be able to initiate a diamond drilling campaign in fiscal 2013.

For the three months and year ended December 31, 2011, activity for the Berlin project amounted to $0.1 and $0.4 million, respectively, compared to $0.2 million and $1.3 million for the same periods in 2010, the majority of which related to land payments.

Arenosa Project

On October 27, 2011, the Company transferred its Arenosa and Zaragoza properties to OTU, a private Colombian company controlled by a company controlled by the Chairman, in exchange for a 25 percent equity interest in OTU (representing the approximate proportion of hectares transferred by the Company to OTU). Prior to the transfer, OTU held mineral properties in the vicinity of the Company's Arenosa and Zaragoza properties. The Company, along with the related party, intends to market the properties with the intent of divesting all or a portion of its equity interest in OTU.

The Arenosa project covered an aggregate area of 20,605 hectares. The project consisted of seven registered concessions totaling 8,141 hectares, three pending registration concessions totaling 8,456 hectares and seven concession applications totaling 4,008 hectares. The property is located 22 kilometres from the Town of Remedios in the Antioquia Department. The topography is characterized by low, rolling hills and access is good via a series of secondary dirt roads.

On April 23, 2011, the five-year mining agreement with an arm's length party was cancelled.

The Company has classified its interest in OTU as investment in associate with $0.8 million of book value relating to the Arenosa property being transferred from exploration and evaluation assets and, along with the Zaragoza property, recorded a loss of $4.1 million on the transfer.

Dominical Project

The Dominical project encompasses an aggregate area of 24,327 hectares and is located in southern Colombia in the Cauca Department. The project area is comprised of four registered concessions totaling 5,590 hectares, three pending registration concessions totaling 3,426 hectares and 9 concession applications covering 15,311 hectares.

Prior to February 5, 2010, the Dominical project was subject to an option agreement, at which time the Company was notified that the option holder would no longer be carrying out exploration activity on the Dominical project and resulting in the property being reverted 100% back to the Company. A review of the data provided by the option holder led the Company to believe that there is significant potential on the property for discoveries of gold in vein and porphyry environments. The veins are developed along 400 to 1,500 metres of strike length and are hosted by Tertiary clastic sedimentary rocks.

Exploration activities, including surface mapping and sampling, continued on the property during 2011. Exploration focused on the La Playa vein zone where a 100 to 300-metre wide structural corridor, containing multiple intermediate sulfidation quartz and quartz-carbonate veins, has been outlined along a 1.8 kilometre trend. The polymetallic veins are characterized by an Au-Ag-Zn-Pb-Cu metal association. Surface exploration to define additional vein and porphyry-style targets was carried out in 2011.

In addition to exploration expenditures, the Company also completed a land acquisition transaction during the second quarter including concession contracts adjacent to the Dominical project from the Chairman, of which $1.5 million of the purchase cost was attributed and allocated to the Dominical project.

Santander Project

The Santander project covers an aggregate area of 5,979 hectares. The project is comprised of four registered concessions totaling 4,466 hectares and one pending registration concession totaling 1,513 hectares. It is located 35 kilometres northeast of Bucaramanga in the California Mining District in northeastern Colombia.

No exploration activities were undertaken on the property during 2011; however, several companies exploring in the area have expressed interest in acquiring the concessions. Concession GLU-133 is directly on trend to the southwest from the gold deposits owned by two prominent mining companies. Concession BA3-093 is immediately south and adjacent to the historical Vetas gold district, which is currently being explored by two Canadian mining companies.

Zaragoza Project

On October 27, 2011, the Company transferred its Arenosa and Zaragoza properties to OTU in exchange for a 25 percent equity interest in OTU (representing the approximate proportion of hectares transferred by the Company to OTU). Prior to the transfer, OTU held mineral properties in the vicinity of the Company's Arenosa and Zaragoza properties. The Company, along with the related party, intends to market the properties with the intent of divesting a portion of or all of its equity interest in OTU.

The Zaragoza project covered an aggregate area of 41,831 hectares. The project consisted of 35 registered concessions totaling 24,805 hectares and seven pending registration concessions totaling 7,233 hectares and 9 concession applications totaling 9,793 hectares. The project is located in the eastern part of Antioquia Department, 160 kilometres northeast of Medellín.

The Company has classified its interest in OTU as investment in associate with $5.8 million of book value relating to the Zaragoza property being transferred from exploration and evaluation assets and, along with the Arenosa property, recorded a loss of $4.1 million on the transfer.

Anza Project

The Anza project is located 50 kilometres west of Medellín in the Antioquia Department and consists of two registered concessions covering 6,309 hectares.

Option Agreement

A portion of this project is subject to an option agreement, along with five other parties ("Optionors"), with a third party option holder, pursuant to which the option holder is obligated to incur certain exploration expenditures on the properties. The Company is entitled to receive 25% of all consideration flowing to the Optionors from the option holder. Pursuant to the option agreement, the Optionors are entitled to receive future option payments of $1,000,000 and 1,000,000 common shares of the option holder (of which the Company's share is $250,000 and 250,000 common shares) on June 29, 2012 and $2,000,000 and 2,000,000 common shares of the option holder (of which the Company's share is $500,000 and 500,000 common shares) on June 29, 2013. The option holder is also responsible for incurring a minimum of $4,000,000 of exploration expenditures on the properties pursuant to the option agreement. The Optionors will maintain a 2% net smelter royalty in the properties. Additionally, the option holder will have the option to purchase half of the net smelter royalty from the Optionors at a cost of $1,000,000.

In 2011, the Company received option payments of $0.1 million (2010 - $0.1 million) in cash and 125,000 common shares of the option holder, valued at $0.1 million (2010 –

75,000 common shares, valued at $30,000) in accordance with the option agreement. Option payments received in 2011 exceeded book values for the project at that time and as a result $0.1 million was recognized in other income in the statement of operations and comprehensive income (loss) during the year. Expenditures incurred subsequent to the receipt of the option payment continue to be capitalized.

Acquisition and Sale Agreement

The Company also signed a definitive acquisition and sale agreement dated May 21, 2010 on certain other Anza concessions. Pursuant to the sale of its legal and beneficial interest in these concessions to the purchaser, the Company received 1,000,000 common shares of the purchaser and 500,000 share purchase warrants giving the Company the right to purchase 500,000 common shares of the purchaser at a price of C$0.75 per share until June 29, 2012.

Dojura Project

The Dojura project covers an aggregate area of 44,104 hectares. The project is comprised of three registered concessions totaling 12,725 hectares, six pending registration concessions totaling 14,187 hectares and four concession applications totaling 17,192 hectares, and is subject to an option agreement dated October 4, 2006 between a third party option holder and a company controlled by the Chairman. The option agreement was assigned to the Company by the related party by way of an assignment agreement dated June 4, 2008.

The Company received payments of $100,000, $150,000 and $250,000 on January 15 of 2010, 2011 and 2012, respectively, from the option holder with regard to the Dojura project. Work was halted on the Dojura project on a partial force majeure basis until such time as security conditions in the area improve. However, Continental Gold has initiated discussions with AngloGold Ashanti Limited ("AngloGold") to determine the suitability for work thereon to resume. Until that time AngloGold has paid and shall continue to pay any payments required to keep the Dojura project in good standing.

During 2011, the Company received a summary of the results of an airborne geophysical survey performed by AngloGold over a portion of the property. The results are consistent with the long-standing recommendation that the property has potential for large-scale copper-gold porphyry style mineralization.

Lunareja Project

The Lunareja project is comprised of three registered concessions totaling 616 hectares. Two of the registered concessions are within the boundaries of a national park located approximately 65 kilometres west of Medellín.

In 2010, due to changes in the mining code that would prohibit mining operations in the Company's mining concessions for this project, the Company wrote down the carrying value of $1.2 million for the Lunareja project to zero. Subsequent expenditures are expensed.

In the longer term (within five years), mining activities may be permitted in protected zone areas. However, administrative procedures for such activities have not yet been regulated. Regardless, it is uncertain that permission for mining activities in these areas will be granted.

FINANCIAL RESULTS

The following is a summary of the Company's financial operating highlights for the years ended December 31, 2011 and 2010:

Year Ended December 31 In thousands of U.S. dollars, except per share amounts	**2011**	2010
	$	$
Net income (loss)	**18,204**	(119,061)
Income (loss) per share, basic	**0.17**	(1.66)
Income (loss) per share, fully diluted	**0.16**	(1.66)
Adjusted net loss *	**(15,795)**	(10,692)
Adjusted net loss per share, basic and fully diluted	**(0.15)**	(0.15)

* Adjusted net loss is a non-GAAP measure and represents net income (loss) before gain on Canadian dollar-denominated warrants and loss on reverse acquisition.

The Company's net income (loss) for the three months and year ended December 31, 2011 amounted to a $3.8 million net loss ($0.04 per share) and $18.2 million net income ($0.17 per share), respectively, compared with a net loss of $41.6 million ($0.46 per share) and a net loss of $119.1 million ($1.66 per share) for the same periods in 2010, and includes the following items:

- Gain (loss) on Canadian dollar-denominated warrants for the three months and year ended December 31, 2011 was $0.5 million loss and 33.9 million gain, respectively (2010 – loss of $40.2 million and $98.2 million, respectively). The changes are attributable to the revaluation of the warrants from previous values recorded. The valuation of warrants is subjective and can impact net income (loss) significantly.

- Loss on reverse acquisition of $10.2 million, recorded on March 30, 2010, representing the fair value of the consideration issued by the Company of $10.0 million and the net liability position of Cronus on the date of the transaction of $0.2 million.

The Company's adjusted net loss (a non-GAAP measure, representing net income (loss) before gain on Canadian dollar-denominated warrants and loss on reverse acquisition) for the three months and year ended December 31, 2011 amounted to $3.4 million ($0.03 per share) and $15.8 million ($0.15 per share), respectively, compared with an adjusted net loss of $1.4 million ($0.02 per share) and $10.7 million ($0.15 per share) for the same periods in 2010. The change for the quarter and year compared to the same periods in 2010 were primarily from the following:

- Corporate administration for the three months ended December 31, 2011 was $2.6 million and $12.1 million, respectively (2010 – $1.9 million and $10.8 million, respectively), including share-based payments. The increase in costs from 2010 is primarily related to an increase in share-based payment costs and a one-time equity tax in Colombia net of a decrease in share issue costs expensed.

- Compensation costs related to share-based payments during the three months and year ended December 31, 2011 was $2.0 million and $10.2 million, respectively (2010 – $2.1 million and $6.8 million, respectively), of which $1.1 million and $5.9 million (2010 - $1.0 million and $4.5 million) were expensed in the respective periods and $0.9 million and $4.3 million (2010 - $1.1 million and $2.3 million) were capitalized to exploration and evaluation assets in the respective periods.

- Changes related to share-based payments relate to the issuance of 150,000 options and 2,387,500 options, respectively, during the three months and year ended December 31, 2011 with average grant date fair values of $5.22 per share and $5.20 per share, respectively, compared to 250,000 options and 5,214,725 options granted in the three months and year ended December 31, 2010 with average grant date fair values of $4.87 per share and $1.42 per share, respectively. The valuation of share-based payments is subjective and can impact net income (loss) significantly.

- Included in corporate administration for 2011 is $1.1 million for a new equity tax imposed by the Colombian Congress. The one-time equity tax is based on the net equity in Colombia as at January 1, 2011 and is payable over a four-year period.

- Also included in corporate administration for 2010 is $2.3 million for expensed share issue costs attributable to the Canadian dollar-denominated warrants issued in 2010.

- Write-down of assets was $0.2 million in 2011 (2010 - $1.4 million). The 2010 amount includes a write-down of $1.2 million related to the Lunareja project. In addition, a loss of $4.1 million in 2011 (2010 – loss of $1.0 million) was recorded. The 2011 amount relates to the disposal of the Arenosa and Zaragoza properties in exchange of a 25% equity interest in an associate. The 2010 amount relates to the sale of a portion of the Anza and Zaragoza properties.

- Foreign exchange gain (loss) for the three months and year ended December 31, 2011, was $1.8 million gain and $1.2 million loss, respectively, compared to a gain of $2.2 million and $1.9 million for the same respective periods in 2010. The change is primarily the result of the fluctuation of the Canadian/US dollar exchange rate on Canadian cash balances held, which were greater throughout 2011.

- Unrealized loss on marketable securities during the three months and year ended December 31, 2011 was $0.2 million and $0.5 million, respectively, compared to an unrealized loss of $0.03 million and an unrealized gain of $0.3 million for the respective periods in 2010 and resulted from the revaluation of securities held.

- Deferred tax recovery for the three months and year ended December 31, 2011 was $1.3 million and $1.4 million, respectively, compared to a $0.3 million expense and a $0.4 million recovery for the same respective periods in 2010. The change is mainly a result of the tax impact on the loss on disposal of the Arenosa and Zaragoza properties to OTU.

Excluding the effect of the revaluation of financial instruments and foreign exchange on cash balances, the Company will continue to incur losses until commercial mining operations from its exploration and evaluation assets have commenced.

The Company will continue to incur losses until commercial mining operations from its mineral properties have commenced.

SUMMARY OF QUARTERLY RESULTS

The Company currently capitalizes its exploration expenditures to mineral properties as deferred expenses.

The following table sets forth selected financial information for each of the Company's eight most recently completed quarters:

(000's of U.S. Dollars, except per share amounts)	Under IFRS[1]							
	Q4–2011	**Q3–2011**	**Q2–2011**	**Q1–2011**	**Q4 – 2010**	**Q3 – 2010**	**Q2 – 2010**	**Q1 – 2010**
		$	**$**	**$**	$	$	$	$
Net income (loss)	**(3,848)**	**(4,011)**	**(2,232)**	**28,295**	(41,588)	(43,719)	(20,690)	(13,063)
Basic income (loss) per share	**(0.04)**	**(0.04)**	**(0.02)**	**0.28**	(0.46)	(0.58)	(0.29)	(0.30)
Diluted income (loss) per share	**(0.04)**	**(0.04)**	**(0.02)**	**0.25**	(0.46)	(0.58)	(0.29)	(0.30)
Adjusted net income (loss)[2]	**(3,356)**	**(8,923)**	**(3,997)**	**481**	(1,351)	(3,828)	(2,529)	(2,983)
Basic adjusted net income (loss) per share	**(0.03)**	**(0.08)**	**(0.04)**	**0.01**	(0.02)	(0.05)	(0.04)	(0.07)
Diluted adjusted income (loss) per share	**(0.03)**	**(0.08)**	**(0.04)**	**-**	(0.02)	(0.05)	(0.04)	(0.07)

(1) The financial statements for 2011 have been prepared in accordance with IFRS with comparative information for 2010 restated under IFRS.

(2) Adjusted net income (loss) is a non-GAAP measure and represents net income (loss) before gain (loss) on Canadian dollar-denominated warrants and loss on reverse acquisition.

The Buriticá project is the Company's most significant project and is expected to continue to be the focus of most of the exploration and development work undertaken in the current and future fiscal years.

SELECTED ANNUAL INFORMATION

The following is a summary of the Company's financial operating results for the years ended December 31, 2011 and 2010:

Year ended December 31 In thousands of U.S. dollars	**2011**	2010
Gold sales and production (ounces)	**3,689**	5,175
	$	$
Realized gold price	**1,610**	1,163
Production cash cost per ounce	**1,052**	773
Capitalized production profits	**2,057**	2,021
Acquisition of and investment in exploration and evaluation assets, net of gold sales	**25,992**	10,861
Operating activities	**(4,335)**	(3,984)
Investing activities	**(29,465)**	(12,780)
Financing activities	**21,273**	110,626
Foreign exchange on cash and cash equivalents	**(1,277)**	1,742
Net (decrease) increase in cash and cash equivalents	**(13,804)**	95,604

Production and Development Planning Activities

In 2011, the Company produced 3,689 ounces (2010 – 5,175 ounces) of gold at a production cash cost of $1,052 per ounce (2010 - $773 per ounce) and sold for an average realized price of $1,610 per ounce (2010 - $1,163 per ounce). Production cash costs relate only to mining and milling costs and do not include administrative expenditures that would normally be part of a mining operation.

Net production profits of $2.1 million (2010 - $2.0 million) were capitalized and included in total net capitalized exploration expenditures of $29.2 million (2010 - $14.2 million). See "Exploration Summary".

Cash Flow Items

Operating Activities

Operating activity expenditures of $ 4.3 million (2010 – $4.0 million) is consistent in comparison to 2010.

Investing Activities

Investing activity expenditures of $ 29.5 million in 2011 (2010 - $12.8 million) are mainly due to investments in and purchases of exploration and evaluation assets, net of capitalized gold sales revenues relating to such assets. The higher expenditure in 2011 compared to 2010 is mainly due to continued advancement and acceleration of the Buriticá exploration and development programs and the acquisition of additional exploration and evaluation assets.

Financing Activities

The Company's primary source of liquidity has been the issuance of equity-based securities for cash. The Company raised C$97.2 million (approximately $88 million) in 2010 through equity financings. The other source of liquidity is the exercise of warrants, broker warrants and stock options for which $21.3 million was received during the year ended December 31, 2011 (2010 – $22.6 million).

Cash and Cash Equivalents

As at In thousands of U.S. dollars	**December 31 2011**	December 31 2010	January 1 2010
	$	$	$
Cash and cash equivalents	**83,404**	97,208	1,604

As at December 31, 2011, the Company maintains its surplus funds in cash with two major banks in Canada, one in Bermuda and select Colombian banks. Cash balances increased in 2010 as a result of the completion of the sale of subscription receipts and the private placement of common shares, resulting in gross proceeds totaling C$97.2 million (approximately $88 million). In addition, exercises of common share options, warrants and broker warrants have also contributed $21.3 million in 2011 (2010 – $22.6 million) to the Company's cash balances.

The Company had working capital of $82.1 million as of December 31, 2011 (2010 – $95.5 million; January 1, 2010 - $0.1 million deficit), excluding the current portion of Canadian dollar-denominated warrants. Working capital decreased in 2011 mainly due to the cash expenditures for the advancement of the Buriticá property.

From January 1, 2012 to March 7, 2012, the Company received aggregate proceeds of $0.2 million from the exercise of 152,931 warrants and C$0.1 million from the exercise of 80,211 stock options.

Total Assets

The increase in total assets of $177.6 million from December 31, 2010 ($159.1 million) and January 1, 2010 ($48.8 million) is mainly a result of the exercise of share options, warrants and broker warrants in 2011 which raised $21.3 million (2010 – $22.6 million). The increase in 2010 is also a result of equity issues, which raised a total of C$97.2 million (approximately $88 million) to finance the advancement of the Buriticá project, together with the exercise of share options and warrants over the periods.

Commitments

In April 2010, the Company entered into a five-year lease agreement for office facilities in Toronto. The Company's estimated gross annual rent will be approximately C$168,000 depending upon the actual annual operating costs for the building. Rent payments commenced on September 1, 2010. The Company also has a sublet arrangement with a Canadian mining company to share a proportionate share of the rent payments, leasehold improvements and furniture and fixture costs from September 1, 2010 onwards.

Contingencies

The Company's exploration and development activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and becoming more restrictive. As of December 31, 2011, the Company does not believe that there are any significant environmental obligations requiring material capital outlays in the near-term and anticipates that such obligations, if any, will only arise when mine development commences.

LIQUIDITY, CAPITAL RESOURCES AND BUSINESS PROSPECTS

The adequacy of the Company's capital structure is assessed on an ongoing basis and adjusted as necessary after taking into consideration the Company's strategy, forward gold prices, the mining industry, economic conditions and the associated risks. In order to maintain or adjust its capital structure, the Company may adjust project capital spending, issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or issue new debt.

Historically, the Company's sole source of funding has been the issuance of equity-based securities for cash. During the years ended December 31, 2011 and 2010, the following equity transactions were completed:

- On September 20, 2010, pursuant to the terms of the certificates governing its share purchase warrants exercisable at $1.75, the Company elected to accelerate the expiry date of the share purchase warrants from March 20, 2012 to October 20, 2010. All such share purchase warrants were exercised prior to their expiry.

- On September 16, 2010, the Company completed an equity financing consisting of the issue of 12,000,000 units at a price of C$5.70 per unit or gross proceeds of C$68.4 million. Each unit consists of one common share and one-half of one share purchase warrant. Each full share purchase warrant has an exercise price of C$7.50 and an expiry date of September 16, 2012. In addition, the underwriters received a cash commission of 5.25% of gross proceeds and 720,000 broker warrants exercisable to acquire one unit (the "additional units") at a price of C$5.70 until September 16, 2012. Each additional unit consists of one common share and one-half of one common share purchase warrant (the "additional warrants"). Each full additional warrant has an exercise price of C$7.50 for a period of two years. Pursuant to the terms of the financing, the purchase warrants and the additional warrants were listed and began trading on the TSX on January 17, 2011.

- On January 28, 2010 and February 11, 2010, the Company completed an equity financing consisting of the issue of 19,166,667 subscription receipts at a price of C$1.50 per subscription receipt for gross proceeds of approximately C$28.8 million. Each subscription receipt converted into one unit which consisted of one common share and one half of one share purchase warrant of the Company. Each full share purchase warrant has an exercise price of C$2.25 per share and expired March 30, 2011. All such share purchase warrants were exercised prior to their expiry.

The Company also received aggregate proceeds of approximately $21.3 million (2010 – approximately $22.6 million) from the exercise of 7,335,182 share purchase warrants, 724,417 broker warrants and 1,041,412 stock options during 2011 (2010 - 12,442,444 share purchase warrants, 1,121,250 broker warrants and 1,789,427 stock options).

The Company's financial position at December 31, 2011 included $83.4 million in cash and cash equivalents, compared to $97.2 million at December 31, 2010 and $1.6 million at January 1, 2010. As at March 7, 2012, cash and cash equivalents amounted to approximately $78.4 million.

As at December 31, 2011, the exercise in full of the outstanding share purchase warrants, broker warrants and stock options would raise a total of approximately $77.3 million. Management does not know when and how much will be collected from the exercise of such securities, as this is dependent on the determination of the holder and the market price of the common shares.

The Company continues to have no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

The Company's liquidity risk with financial instruments is minimal as excess cash is invested in interest bearing accounts with two major Canadian banks. In addition, amounts receivable are comprised mainly of advances to employees for disbursements made on behalf of the Company to be transferred to deferred expenses upon receipt of detailed expense reports.

The Company has no operating revenues, and therefore must utilize its current cash reserves, income from short-term investments, funds obtained from the exercise of warrants and stock options and other financing transactions to maintain its capacity to meet working capital requirements and planned expenditures, or to fund any further development activities.

The Company's underground exploration development at the Buriticá project includes the results from small-scale gold production. Aggregate gold sales for the year ended December 31, 2011 of $6.0 million (2010 – $6.1 million) resulted from exploration work and drifting in ore. Gold sales are viewed as a recovery of expenses and used as another source of funding the Company's exploration program. As a result, gold sales, net of costs, are treated as a capital credit and netted against deferred expenses that have been incurred to-date on the Buriticá project.

As of December 31, 2011, the Company capitalized costs related to mineral properties in the amount of $29.2 million (2010 - $14.2 million). See "Exploration Summary".

MANAGEMENT OF CAPITAL

The Company defines capital that it manages as its shareholders' equity. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The board of directors of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. As at December 31, 2011, total shareholders' equity (managed capital) was approximately $155.8 million (2010 – $52.5 million; January 1, 2010 - $31.2 million).

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient potential, if it has adequate financial resources to do so and if it fits with the Company's overall strategic plan.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year ended December 31, 2011.

The Company is not subject to any externally imposed capital requirements. The Company believes that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2011.

SHARE CAPITAL

Fully Diluted Shares

As at (thousands)	**December 31 2011**	December 31 2010	January 1 2010
Shares issued	**108,145**	98,549	43,500
Stock options outstanding	**6,868**	5,667	2,113
Warrants outstanding (US$ denominated)	**2,298**	2,409	7,847
Warrants outstanding (C$ denominated)	**6,144**	13,006	–
Broker Warrants outstanding	**216**	940	–
	123,671	120,571	53,460

As at December 31, 2011, the exercise of the share purchase warrants, broker warrants, including the exercise of the one-half of one warrant, and stock options in full would raise a total of approximately $77.3 million. Management does not know when and how much will be collected from the exercise of such securities as this is dependent on the determination of the holder and the market price of the common shares.

Warrants

As at December 31, 2011, there were 6,144,000 Canadian dollar-denominated share purchase warrants (2010 – 13,005,747; January 1, 2010 - nil) and 2,298,112 warrants (2010 – 2,409,334; January 1, 2010 – 7,847,181) outstanding, each exercisable to acquire one common share of the Company. The Company also has 216,000 broker warrants outstanding as at December 31, 2011 (2010 – 940,417; January 1, 2010 - nil), each broker warrant allowing the holder to subscribe for a unit of the Company consisting of one common share and one-half of one warrant.

As at December 31, 2011, the Canadian dollar-denominated share purchase warrants outstanding would raise approximately $45.3 million if exercised in full, the share purchase warrants outstanding would raise approximately $2.3 million if exercised in full, and the broker warrants outstanding would raise approximately $2.0 million if exercised in full, including the exercise of the one-half of one warrant included in each unit.

As at March 7, 2012, the Company had 6,144,000 Canadian dollar-denominated share purchase warrants, 2,145,181 share purchase warrants and 216,000 broker warrants outstanding.

Stock Options

The Company has a stock option plan (the "Plan") in place under which directors, officers, employees and consultants may be granted stock options to subscribe for common shares. The maximum number of common shares issuable under the Plan is equal to 10% of the outstanding common shares of the Company at any point in time.

There were 6,868,285 outstanding stock options to purchase common shares of the Company as at December 31, 2011 (2010 - 5,667,196; January 1, 2010 - 2,113,224), of which 5,627,035 were exercisable (2010 - 3,172,334; January 1, 2010 – 650,371). The stock options outstanding as at December 31, 2011 would raise approximately $27.7 million if exercised in full.

As at March 7, 2012, there were 9,079,362 stock options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, being the price agreed between the parties. The following is a summary of related party transactions during 2011:

- Gold sales to a refinery company, in which a director of the Company has an equity interest and is an officer, for the three months and year ended December 31, 2011 amounted to $2.1 million and $6.0 million, respectively, compared to $1.0 million and $6.1 million for the same respective periods in 2010, and are reported as a reduction to exploration and evaluation assets on the statement of financial position. Included in accounts receivable on January 1, 2010 is $216,000 receivable from the refinery company. No amounts were receivable on December 31, 2011 and 2010.

- On May 5, 2011, the Company acquired from the Chairman, (i) title to mineral concession contracts and rights to mineral applications adjacent to the Buriticá project and (ii) title to concession contracts adjacent to the Dominical project for total purchase consideration of $6.2 million, including $2.0 million cash and 495,106 common shares of the Company, valued at $4.2 million.

- During October 2011, the Company acquired, for a nominal amount, additional licenses for properties adjacent to the Buriticá project from a company controlled by the Chairman and reimbursed the company $0.1 million for prepaid license fees.

- On October 27, 2011, the Company transferred its Arenosa and Zaragoza properties to OTU, a private Colombian company controlled by a director of the Company, in exchange for a 25 percent equity interest in OTU (representing the approximate proportion of hectares transferred by the Company to OTU. The fair value of the equity interest received of $2.5 million resulted in a $4.1 million loss recognized in the statement of operations and comprehensive income (loss) for 2011.

- Effective November 22, 2011, the Company entered into a consulting agreement with a company controlled by the Chairman, for $20,000 per month. Services include site visit security and logistics, technical assistance and assistance with Colombia mining law and processes. As at December 31, 2011, $25,000 of fees was recognized and included in corporate administration and accounts payable.

- Consulting services from a company controlled by the Chairman, during the year ended December 31, 2011, in the amount of $nil (2010 - $275,000), is included in corporate administration. The amount owing by the Company to the related party as at January 1, 2010 was $219,000 which is included in accounts payable and accrued liabilities. No amounts were payable as at December 31, 2011 and 2010. In addition, advances to the related party in the amount of $nil (December 31, 2010 – $264,000) were charged to corporate administration during 2010. As at January 1, 2010 advances to the related party in the amount of $12,000 were outstanding and included in accounts receivable. No amounts were receivable as at December 31, 2011 and 2010.

- Legal fees, included in corporate administration, of $nil (2010 - $31,000) were charged by a law firm in which a director of the Company is a partner. As at January 1, 2010, $69,000 of fees was payable to this firm and was included in accounts payable and accrued liabilities. No amounts were payable as at December 31, 2011 and 2010.

- Consulting fees, included in corporate administration, of $nil (2010 - $15,000) were charged by a director of the Company. As at January 1, 2010, $64,000 of fees were payable to this individual and were included in accounts payable and accrued liabilities. No amounts were payable as at December 31, 2011 and 2010.

- Drilling services received from Terra Colombia S.A., a company with a common director, at a cost of $74,000, were capitalized to mineral properties in 2010. No amounts were incurred in 2011. As at January 1, 2010, $50,000 of advance payments for future drilling services was included in prepaid exploration. No amounts were outstanding as at December 31, 2011 and 2010.

The Company also entered into the following equity transactions with officers and directors:

- On January 28, 2010, a director of the Company and companies with an officer who is also a director of Continental Gold purchased 1,596,334 units of the Company for gross proceeds of C$2,395,000 ($2,349,000).

- On February 11, 2010, officers and directors of the Company purchased 593,602 units in the Company for gross proceeds of C$890,000 ($873,000).

Transactions with related parties disclosed above are in the normal course of business and are recorded at the exchange amount, being the price agreed between the parties.

CONTRACTUAL OBLIGATIONS

As at December 31, 2011, the Company had the following payments due on contractual obligations and commitments:

Contractual Obligation In thousands of U.S. dollars	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**>5 years**
	$	**$**	**$**	**$**	**$**
Operating lease obligations [1]	**663**	**168**	**330**	**165**	**–**
Rehabilitation obligations[2]	**577**	**85**	**418**	**74**	**–**
Total	**1,240**	**253**	**748**	**239**	**–**

(1) In April 2010, the Company entered into a five-year lease agreement for office facilities in Toronto.

(2) Represents undiscounted cash flows

As at December 31, 2011, a rehabilitation provision of $519,000 (2010 - $215,000) was recorded, representing the discounted value of the expected future cash flows. The increase in the provision for the year related to an updated closure plan for the current mine, waste and tailings facilities.

FINANCIAL INSTRUMENTS AND RELATED RISKS

The Company manages capital and its exposure to financial risks by ensuring it has sufficient financial capacity to support exploration and development plans and long-term growth strategy.

The Company is subject to various financial risks that could have a significant impact on financial conditions and the Company's ability to advance its exploration projects. These risks include liquidity risk, credit risk and financial market conditions relating to interest rates, gold price and currency rates.

Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Company's management team carries out risk management with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company has treasury policies designed to support managing of liquidity risk by proactively mitigating exposure through cash management, including forecasting its liquidity requirements with available funds and anticipated cash flows. As at December 31, 2011, the Company had cash and cash equivalents of $83,404,000 (2010 - $97,208,000; January 1, 2010 - $1,604,000) to settle current liabilities of $2,947,000, excluding the current portion of Canadian dollar-denominated warrants (2010 - $3,812,000; January 1, 2010 - $1,692,000). The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has begun to examine it options to secure additional sources of funds including public issuances, private placements and the exercise of outstanding warrants and options.

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. In the normal course of business, the Company is not exposed to market risks as a result of its investments being held in cash or short-term investment certificates.

Currency Risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the U.S. dollar and major purchases are transacted primarily in U.S. dollars and Colombian pesos. The Company funds certain operations, exploration and administrative expenses in Colombia on a cash call basis using Colombian pesos converted from its Canadian and/or U.S. dollar bank accounts held in Canada. During 2011, the Company maintained Canadian and U.S. dollar bank accounts in Canada, a U.S. dollar bank account in Bermuda and Colombian pesos bank accounts in Medellín. The Company is subject to gains and losses due to fluctuations in the Colombian peso and the Canadian dollar against the Company's U.S. dollar functional currency. Sensitivity to a plus or minus 10% change in all foreign currencies (Colombian pesos and Canadian dollars) against the U.S. dollar, with all other variables held constant as at December 31, 2011, would affect net loss and comprehensive loss by approximately $6.6 million.

Interest Rate Risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and assets. In the normal course of business, the Company is exposed to interest rate fluctuations as a result of cash and cash equivalents being invested in interest-bearing instruments. Interest rate risk is minimal, as the Company's interest-bearing instruments have fixed interest rates.

Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from its properties. The Company's cash and cash equivalents are held with banks in Colombia, Bermuda and Canada. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with credit ratings of at least A or equivalent, or those which have been otherwise approved. Amounts receivable consist of receivables from unrelated parties. Amounts receivable are current as of December 31, 2011, December 31, 2010 and January 1, 2010. Management believes that the credit risk concentration with respect to amounts receivable is minimal based on the Company's history with these unrelated parties.

Fair Value

As at December 31, 2011, the carrying and fair value amounts of the Company's financial instruments were approximately equivalent.

MARKET TRENDS

Global Financial Market Conditions

Events and conditions in the global financial markets particularly over the last two years continue to impact gold prices, commodity prices, interest rates and currency rates. These conditions as well as market volatilities may have a positive or negative impact on the Company's operating costs, project exploration and development expenditures, and planning of the Company's projects.

Gold Market

The Company's economic assessment of its gold projects is impacted by the market driven gold price. The gold market is affected by negative real interest rates over the near to medium term, continued sovereign debt risks, elevated geo-political risks, mine production and substantial above-ground reserves that can affect the price should a portion of these reserves be brought to market.

While many factors impact the valuation of gold, traditionally the key factors are actual and expected U.S. dollar value, global inflation rates, oil prices and interest rates.

The global financial market crisis affected the volatility of gold and other commodity prices, oil prices, currencies and the availability of credit. The gold price has displayed considerable volatility in the last few years. The spot daily gold price closing in 2011 was between $1,313 and $1,900 per ounce ($1,062 and $1,424 per ounce in 2010) for an average 2011 price of $1,572 (2010: $1,225) per ounce. Continued uncertainties in the major markets, specifically in the U.S. and European countries, and the increased investments from Asian countries, namely India and China, were the main driving forces in the rise in the demand for gold.

As at December 31 ($/ounce of gold)	**2011**	2010
Average market gold price	**1,572**	1,225
Closing market gold price	**1,531**	1,405

The Company's shareholder value increase in 2011 was partially impacted by the rising gold price.

As the following graph depicts, the price leverage impact is significant and correlated to the Company's share price movement.

Currency

The Company's functional and reporting currency is the U.S. dollar. Movement in the Canadian dollar against the U.S. dollar has a direct impact on the Company's executive office cost base and cash balances. Movement in the Colombian peso has a direct impact on the Company's exploration activities. Currencies continued to experience volatility relative to the U.S. dollar in 2011. The key currencies to which the Company is exposed are the Canadian dollar and the Colombian peso.

	Closing Rate December 31 2011	Closing Rate December 31 2010	**Average Rate 2011**	Average Rate 2010
Canadian dollar/U.S.$	**0.9833**	1.003	**1.011**	0.9708
Colombian peso /U.S.$	**0.00052**	0.00052	**0.00055**	0.00052

During 2012, the Company will have a significant U.S. dollar and Colombian peso requirement due to exploration activities, including expenditures to advance the Buriticá project. As at December 31, 2011, the Company held $19.0 million in U.S. dollars, representing approximately 33% of 2012 planned exploration expenditures. As at March 7, 2011, the Company held approximately $13.0 million in U.S. dollars, representing approximately 17% of total cash balances, to protect against currency volatility in 2012.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's audited financial statements under IFRS requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements. The accounting estimates considered to be significant are the valuation of the Company's resource assets and equity instruments, the factors considered in determining the Company's functional currency, and the inputs used in determining the balances recorded for the rehabilitation provision, commitments and contingencies. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

The policy of capitalizing exploration costs to date does not necessarily relate to the future economic value of the exploration properties. The valuation of mineral resource properties is dependent entirely upon the discovery of economic mineral deposits.

The Company uses the Black-Scholes model to determine the fair value of options and warrants. The main factor affecting the estimates of stock-based compensation is the stock price volatility used. The Company uses historical price data and comparables in the estimate of the stock price volatility.

Changes in the accounting estimates in the items discussed above may have a material impact on the financial position of the Company.

Other items requiring estimates are accounts receivable, accounts payable and accrued liabilities, asset retirement obligations and future income taxes. Changes in the accounting estimates in these items may have a material impact on the financial position of the Company.

CHANGES IN ACCOUNTING POLICIES

Future Accounting Changes

IFRS 9 – Financial Instruments

The IASB has issued IFRS 9, Financial Instruments, which replaces the multiple category and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Finally, IFRS 9 requires that fair value changes due to credit risk for financial liabilities designated at fair value through profit and loss for liabilities be generally recorded in other comprehensive income.

The standard is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its financial statements.

IFRS 13 – Fair Value Measurement

The IASB has issued IFRS 13, Fair Value Measurement which sets out a framework for measuring fair value and new required disclosures about fair value measurements for use across all IFRS standards in a single IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

The standard is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its financial statements.

IFRS 10 – Consolidated Financial Statements

The IASB has issued IFRS 10, Consolidated Financial Statements which requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

The standard is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

The IASB has issued IFRS 12, Disclosure of Interests in Other Entities which establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

The standard is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its financial statements.

IAS 1 – Presentation of Financial Statements

The IASB has amended IAS 1, Presentation of Financial Statements to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its financial statements.

IFRS 7 – Financial Instruments: Disclosures

The IASB has amended IFRS 7, Financial Instruments: Disclosures to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets.

The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted. The Company is in the process of evaluating the impact of the change in its financial statements.

IAS 12 – Income Taxes

The IASB has amended IAS 12, Income Taxes to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale when considering the expected manner or recovery or settlement. SIC 21*, Income Taxes - Recovery of Revalued Non-Depreciable Assets*, will no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

The amendment is effective for annual periods beginning on or after January 1, 2012 with earlier application permitted. The Company is in the process of evaluating the impact of the change in its financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

There were no significant changes in the Company's internal controls, or in other factors, that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation as of December 31, 2011 nor were there any significant deficiencies or material weaknesses in the Company's internal controls identified requiring corrective actions.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its disclosure controls and internal controls over financial reporting will prevent or detect all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

QUALIFIED PERSON

Except as otherwise noted, Mark Moseley-Williams, President and Chief Operating Officer of the Company, is the Qualified Person under NI 43-101: Standards of Disclosure for Mineral Projects. He is responsible for preparing and supervising the preparation of the scientific or technical information contained in this MD&A and verifying the technical data disclosed in this document relating to our projects. Mr. Moseley-Williams has consented to the inclusion of this information in the form and context in which it appears in this MD&A.

SAMPLE ANALYSIS

Drilling in 2011 was completed by Major Drilling Group International Inc. and Kluane Drilling Ltd., both Canadian contractors with significant experience in Colombia and in the type of drilling required by the Company - diamond drilling extracting HQ and NQ diameter core samples. Drill core recovery rates averaged greater than 90%, well within industry-acceptable parameters. Sampling was done by Company personnel. In areas of visual alteration or mineralization, maximum sample length was 1.0 metres with many samples being taken in shorter, geologically determined intervals. Core was sawed in half, with one-half being sent to the SGS Laboratory ("SGS") sample preparation facility in Medellin, Colombia. Following sample preparation, the SGS-certified laboratory in Lima, Peru analyzed all samples for gold by fire assay and for a large suite of additional elements by the Induction Coupled Plasma (ICP) method. ICP values for silver of greater than 10 ppm and for zinc, lead, and copper of greater than 1,000 ppm were re-assayed by atomic absorption. Blanks, duplicates and certified reference standards are inserted into the sample stream to monitor laboratory performance and a portion of the samples are periodically check assayed at ACME Analytical Laboratories (Vancouver) Ltd. in Vancouver, B.C., Canada and/or Inspectorate America Corp. in Reno, Nevada, U.S.A. Analysis of the numerous different standards and blanks inserted into the sample stream as well as sample duplicates gave no indications of laboratory errors outside of acceptable limits. Standards, blanks, and duplicates totaled approximately 22% of all drill samples analyzed.

RISKS AND UNCERTAINTIES

The business of the Company is subject to a variety of risks and uncertainties, including those described below. The Common Shares should be considered highly speculative due to the nature of its business and the present stage of its development and the location of its properties in Colombia. The reader should carefully consider the information below as well as the risks disclosed in the Company's financial statements, management's discussion and analysis and in other publicly-filed documentation regarding the Company available under the Company's profile on SEDAR at www.sedar.com. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations and any of these risk elements could have a material adverse effect on the business of the Company.

Nature of Mineral Exploration

Resource exploration and development is a speculative business and involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The properties in which the Company holds an interest, with the exception of the Buriticá Project, are without a known mineral resource. Each of the proposed programs on the properties is an exploratory search for resources or additional resources. There is no assurance that commercial quantities of resources will be discovered. There is also no assurance that even if commercial quantities of resources are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade, ground conditions and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore.

Foreign Country Risk

The Company's principal mineral properties are located in Colombia. Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Colombia faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. Colombia is also home to South America's largest and longest running insurgency and large swaths of the countryside are under guerrilla influence. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Such instability may require the Company to suspend operations on its properties. Although the Company is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Colombia, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in the Company's operations, or other matters.

The Company also bears the risk that changes can occur in the government of Colombia and a new government may void or change the laws and regulations that the Company is relying upon. Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities and Colombia has never imposed such restrictions. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for purposes of payments to foreign suppliers, repayment of foreign debt, payment of dividends to foreign stockholders and other foreign expenses.

No Assurance of Titles or Boundaries

The Company is not the registered holder of all of the licences or concessions that comprise its Colombia projects. Some of the licences and concessions that comprise the Colombia projects are registered in the names of certain entities controlled by Bullet Holding Corporation ("Bullet"), a company controlled by the Chairman. The Company's interest in the Colombia Projects is derived from the Concession Sale Agreement. Under the Concession Sale Agreement, Bullet has agreed to transfer the licences and concessions that comprise such properties to the Company. There can be no assurance, however, that such transfers will be effected. In addition, in the event of a dispute between the parties to the Concession Sale Agreement, the Company's only recourse against Bullet will be to seek enforcement of the terms of the Concession Sale Agreement. If the Company is required to commence legal proceedings to enforce the terms of the Concession Sale Agreement, there is no assurance that the Company will succeed in such proceedings, and, therefore, may never succeed in obtaining title to such properties.

The Company has obtained a title report from Colombian legal counsel with respect to title to the Colombia projects held by the Company and Bullet but this should not be construed as a guarantee of title. Other parties may dispute title to any of the Company's mineral properties and any of the Company's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected encumbrances or defects or governmental actions. The Company does not have all of the surface rights at the Colombia projects and there is no assurance that these surface rights will be granted or they will be on reasonable terms if granted.

The foregoing analysis also applies to any exercise by the Company of the Bullet Option. Title to these properties are registered in the names of certain entities controlled by Bullet; however, Bullet's land holdings may increase or decrease without notice to the Company.

Limited Operating History

The Company has no history of generating operating revenue or profits. There can be no assurance that it will generate operating revenues or profits in the future.

Requirement for Further Financing

The Company has sufficient financial resources to undertake its currently planned exploration and development programs for 2012, but will require additional funds to fund further exploration, future acquisitions and additional development and mine construction programs. The further exploration and development of the various mineral properties in which the Company holds interests and the acquisition of additional properties depend upon the Company's ability to obtain financing through joint ventures of projects, debt financing, equity financing or other means. There can be no assurance that the Company will be able to raise the balance of the financing required or that such financing can be obtained without substantial dilution to shareholders. Failure to obtain additional financing on a timely basis could cause the Company to reduce or terminate its operations or lose its interest in its properties.

Fluctuation in Mineral Prices

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resource are discovered, a profitable market will exist for the sale of same or that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond the control of the Company may affect the ability of the Company to attract investors and receive further funds for exploration. Metal prices have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the Canadian and United States dollar and the Colombian peso relative to other currencies), interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. In particular, the supply of and demand for gold are affected by, among other factors, political events, economic conditions and production costs in major gold producing regions and governmental or central bank policies with respect to gold holdings.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including but not limited to unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, landslides, earthquakes and other environmental occurrences, risks relating to the shipment of precious metal concentrates or ore bars, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political or environmental risks.

Preliminary Economic Assessment

The Company is currently working on a preliminary economic assessment ("PEA") to determine the potential economic viability of the mineral resources comprising the Buriticá Project. The PEA may include or be based on inferred resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. The use of inferred mineral resources in the PEA will result in the conclusions not having the same level of confidence that might apply had the PEA only used measured and indicated mineral resources. In addition, it is important to note that mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that the conclusions and recommendations of the PEA will be realized. There is a risk that the assumptions and estimates made in the PEA are incorrect or inaccurate, which could negatively impact the expected economic return on the Buriticá Project or render the Buriticá Project uneconomic.

Construction and Operating Cost Estimates

Estimated construction and operating costs may differ significantly from those actually incurred which could negatively impact the economic return on the Buriticá Project or render the Buriticá Project uneconomic.

Environmental and Other Regulatory Requirements

All phases of the Company's operations are subject to environmental regulation. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are unknown to the Company at the present and which have been caused by previous or existing owners or operators of the properties. In addition, the owner of the Colombia Projects has a limited right to conduct small scale mining operations on such properties which may result in environmental hazards on the properties. Government approvals and permits are current, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation of existing laws, could have a material adverse impact on the Company and cause increases in exploration expenses or capital expenditures or require abandonment or delays in development of new exploration properties.

Differing Interpretations in Tax Regimes in Foreign Jurisdictions

Tax regimes in foreign jurisdictions may be subject to sudden changes. The Company's interpretation of taxation law where it operates and as applied to its transactions and activities may be different than that of applicable tax authorities. As a result, tax treatment of certain operations, actions or transactions may be challenged and reassessed by applicable tax authorities, which could result in adverse tax consequences for the Company, including additional taxes, penalties or interest. See also "Risks and Uncertainties – Bermuda Legal Matters - The Company May Become Subject to Taxes in Bermuda".

Canadian Tax Resident Status

Although the Company is a Bermuda company, it is considered resident in Canada for purposes of the *Income Tax Act* (Canada) because, under the common law test of corporate residency, its central management and control are located in Canada. If the Company's central management and control moved outside Canada, the Company could cease to be a resident of Canada for Canadian tax purposes and there could be material adverse tax consequences for the Company.

Competition

The Company will compete with other exploration companies which have greater financial resources and technical facilities for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

The Company's ability to increase the number of properties that it holds in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select, acquire and develop suitable properties or prospects. Further, the gross disparity in size between large and small mining producers in Colombia restricts small producers in that they have limited influence to secure access to Colombia's transportation infrastructure, including rail and port facilities. This access is necessary for producers to access international export markets for its production and to competitively sell Colombian minerals in international markets. If the Company is successful in bringing a property into production, the Company may have difficulties successfully accessing transportation infrastructure necessary to export the minerals it may produce in the future.

Non-Governmental Organization Intervention

The Company's relationship with the communities in which it operates are critical to ensure the future success of its existing operations and the construction and development of its projects. A number of Non-Governmental Organizations are becoming increasingly active in

Colombia as the security and safety in Colombia increases. These organizations may create or inflame public unrest and anti-mining sentiment among the inhabitants in areas of mineral development. Such organizations have been involved, with financial assistance from groups mostly in Europe, in mobilizing sufficient local anti-mining sentiment to prevent the issuance of required permits for the development of other mineral projects. While the Company is committed to operating in a socially responsible manner, there is no guarantee that the Company's efforts in this respect will mitigate this potential risk.

Conflicts of Interest

Certain directors and officers of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of natural resource exploration and development. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required under the *Companies Act, 1981* (Bermuda) (the "Bermuda Act") and the Bye-laws to disclose his interest.

Bullet is the largest shareholder of the Company. Robert W. Allen, who controls Bullet and Grupo de Bullet S.A. ("Grupo"), is a director of the Company and has interests in certain material contracts with the Company. By virtue of its status as the largest shareholder of the Company, there exists the possibility for Bullet to be in a position of conflict with the Company. In general, the interests of Bullet and the Company will be aligned to maximize the value of the Colombia Projects, and thereby maximize the value of the Company. Should conflicts arise, the conduct of Bullet will be subject to Canadian securities and applicable legislation concerning related party transactions and shareholder rights and remedies. In addition, the majority of directors of the Company who are independent of Bullet are responsible to act in the best interests of the Company as noted above.

Dependence on Key Management Employees

The Company's development to date has depended, and in the future will continue to depend, on the efforts of key management employees both in Canada and Colombia. The failure to retain certain personnel and to attract suitably qualified and experienced management in the future could adversely affect the Company's ability to manage its operations. The Company does not have key man insurance in place with respect to any of these individuals.

Outside Contractor Risks

It is common for certain aspects of mining operations, such as drilling and blasting, to be conducted by an outside contractor. Exploration drilling at the Buriticá Project is undertaken by contractors and as a result, the Company is subject to a number of risks, including reduced control over the aspects of the drilling that are the responsibility of the contractor, failure of the contractor to perform under its agreement with the Company, inability to replace the contractor if either party terminates the contract, interruption of drilling in the event that the contractor ceases operations due to insolvency or other unforeseen events, failure of the contractor to comply with applicable legal and regulatory requirements and failure of the contractor to properly manage its workforce resulting in labour unrest or other employment issues.

Labour and Employment Matters

While the Company has good relations with its employees, these relations may be impacted by changes in labour laws which may be introduced by the relevant governmental authorities in whose jurisdictions the Company carries on business. Adverse changes in such legislation may have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's workforce at the Buriticá Project is governed by a union and a cooperative agreement. Although labour relations with its employees have historically been good, there is no assurance that this will continue in the future. Any significant disruption in labour arrangements with either the union or cooperative could have a material adverse effect on the Company's ability to continue to operate.

Artisanal Miners

The Company's mining concessions are held in remote areas of Colombia that have historically been mined by artisanal miners. As the Company further explores and advances mining projects towards production, it must evict or negotiate with artisanal miners who have been operating on the Company's mining concessions illegally for years. In addition, there is a risk that such artisanal miners may oppose the Company's operations, which may result in a disruption to the planned redevelopment works and/or to mining and processing operations. This could have a material adverse effect on the Company's business, operating results and financial position.

Reliability of Mineral Resource Estimates

There is no certainty that any of the mineral resources on the Buriticá Project or any other project with mineral resources will be realized. Until a deposit is actually mined and processed, the quantity of mineral resources and grades must be considered as estimates only. In addition, the quantity of mineral resources may vary. Any material change in quantity of mineral resources, grade or stripping ratio may affect the economic viability of any project undertaken by the Company. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in a large scale test under on-site conditions or during production.

Fluctuations in gold and base or other precious metals prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources could have a material adverse effect on the Company's results of operations and financial condition.

Foreign Subsidiaries

The Company conducts operations through foreign subsidiaries and some of its assets are held in such entities. Any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

Residency of Directors, Officers and Others

A number of the directors and officers of the Company reside outside of Canada. Substantially all of the assets of these persons, and the Company, are located outside of Canada. As a result, it may not be possible for investors to effect services of process within Canada upon these directors or officers. It may also not be possible to enforce against certain of the Company's directors and officers, and certain experts named herein, as judgments obtained in Canadian courts are predicated upon civil liability provisions of applicable securities laws in Canada.

Minority Interests

The Company holds a 25% interest in Minerales OTÚ S.A. ("OTU"), the other 75% interest being held by a company controlled by the Chairman. The Company accounts for this investment as an investment in associate. The Company's interest in OTU is subject to the risks normally associated with the control of minority interests. The existence or occurrence of one or more of the following circumstances and events, for example, could have a material adverse impact on Company's profitability or the viability of its interests held through minority interests, which could have a material adverse impact on future cash flows, earnings, results of operations and financial condition: disagreement with controlling shareholder on how to explore, develop and operate mines efficiently; inability of shareholders to meet their obligations; inability to sell a minority interest to third parties; or litigation arising between shareholders regarding matters.

Foreign Currency Fluctuations

The Company's current and proposed exploration operations in Colombia render it subject to foreign currency fluctuations, which may materially affect its financial position and results. The Company holds Canadian and U.S. dollars and sends funds to Colombia in U.S. dollars and converts these funds into Colombian pesos. The important exchange rates for the Company are currently the rate between the U.S. dollar, Canadian dollar and the Colombian peso. While the Company is funding work in Colombia, the Company's results could be impaired by adverse changes in the U.S. dollar and Canadian dollar to Colombian peso exchange rate. The Company's common shares are listed on the TSX, a Canadian stock exchange. Prior and future equity financings result in the generation of Canadian dollar proceeds to fund the Company's activities which are principally incurred in U.S. dollars or Colombian pesos. To the extent funds from such financings are maintained in Canadian dollars, the Company's results can be significantly impacted by adverse changes in exchange rates between the Canadian dollar and the U.S. dollar and Colombian peso.

Unreliable Historical Data

The Company has compiled technical data in respect of the Colombia Projects, much of which was not prepared by the Company. While the data represents a useful resource for the Company, much of it must be verified by the Company before being relied upon in formulating exploration programs.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Management of the Company believes that the potential for infrastructure weaknesses in Colombia is comparable to those in any remote mining location located in other parts of the world.

Government Regulation

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although the Company's mining and processing operations and exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of exploration, mining and milling or more stringent implementation thereof could have an adverse impact on the Company.

Health and Safety Risk

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities due to accidents that could result in serious injury or death. The impact of such accidents could affect the profitability of the operations, cause an interruption to operations, lead to a loss of licenses, affect the reputation of the Company and its ability to obtain further licenses, damage community relations and reduce the perceived appeal of the Company as an employer. The Company has rigorous procedures in place to manage health and safety protocols in order to reduce the risk of occurrence and the severity of any accident and is continually investing time and resources to enhance health and safety at all operations.

The Company has insurance policies in place to cover accidents and regularly monitors the adequacy of such policies.

Market Price of Common Shares of the Company

Securities of mineral exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the common shares of the Company is also likely to be significantly affected by short-term changes in precious and base metal mineral prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the common shares of the Company include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not continue to follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of common shares of the Company; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the common shares of the Company that persists for a significant period of time could cause the Company's securities to be delisted from the exchange on which they trade, further reducing market liquidity.

As a result of any of these factors, the market price of the common shares of the Company at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dividend Policy

No dividends on the Shares of the Company have been paid by the Company to date. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

Future Sales of Common Shares of the Company by Existing Shareholders

Sales of a large number of common shares of the Company in the public markets, or the potential for such sales, could decrease the trading price of the common shares of the Company and could impair the Company's ability to raise capital through future sales of common shares of the Company. The Company has previously completed private placements at prices per share which are from time to time lower than the market price of the common shares of the Company. Accordingly, a significant number of shareholders of the Company have an investment profit in the common shares of the Company that they may seek to liquidate.

Accounting Policies and Internal Controls

The Company prepares its financial reports in accordance with international financial reporting standards ("IFRS") applicable to publicly accountable enterprises effective January 1, 2011. In preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

Bermuda Legal Matters

The Company is incorporated and existing under the Bermuda Act and is thereby subject to the laws of Bermuda. The following is a non-exhaustive summary of certain laws of Bermuda which are relevant to the operations of the Company.

Bermuda Monetary Authority Consent Required for Free Transferability of Common Shares of the Company

The Bermuda Monetary Authority (the "BMA") must approve all issues and transfers of shares of a Bermuda exempted company under the Exchange Control Act 1972 (Bermuda) and regulations thereunder. The BMA has given a general permission which will permit the issue of the Common Shares of the Company and the subsequent transfer of such shares so long as voting securities of the Company are listed for trading on an appointed stock exchange, and the TSX and TSX-V qualify for this purpose.

Enforcement of Judgments in Bermuda May be Difficult

As the Company is a Bermuda-exempted company, the rights of shareholders will be governed by Bermuda law and the Memorandum and Bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Although the majority of the directors of the Company are residents of Canada, the majority of the Company's assets are located outside of Canada, which could make it difficult for investors to effect service of process on directors outside of Canada or to enforce in Canada judgments obtained in the Canadian courts against the Company or those persons who may be liable under Canadian law. The current position with regard to enforcement of judgments in Bermuda is set out below but this may be subject to change. A final and conclusive judgment of a foreign court against the Company, under which a sum of money is payable (not being a sum of money payable in respect of multiple damages, or a fine, penalty tax or other charge of a like nature) may be the subject of enforcement proceedings in the Supreme Court of Bermuda (the "Bermuda Court") under the common law doctrine of obligation by action on the debt evidenced by the foreign court's judgment. On general principles, such proceedings would be expected to be successful provided that:

(a) the court which gave the judgment was competent to hear the action in accordance with private international law principles as applied in Bermuda; and

(b) the judgment is not contrary to public policy in Bermuda, has not been obtained by fraud or in proceedings contrary to natural justice, and is not based on an error in Bermuda law.

Enforcement of such a judgment against assets in Bermuda may involve the conversion of the judgment debt into Bermuda dollars, but the BMA has indicated that its present policy is to give the consents necessary to enable recovery in the currency of the obligation.

No stamp duty or similar or other tax or duty is payable in Bermuda on the enforcement of a foreign judgment. Court fees will be payable in connection with proceedings for enforcement.

The Company May Become Subject to Taxes in Bermuda

Bermuda currently has no income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable in respect of capital gains realized on a disposition of Common Shares of the Company or in respect of distributions by the Company with respect to Common Shares of the Company other than the application of Bermuda taxes to persons ordinarily resident in Bermuda. The Bermuda Minister of Finance, under the Exempted Undertakings Tax Protection Act 1966, as amended (Bermuda), has given the Company assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to the Company or any of the Company's operations, shares or other obligations until March 31, 2035.

Exemption from Exchange Controls

The Company is designated as "non-resident" for exchange control purposes by the BMA. Where a company is so designated, it is free to deal in currencies of any other country outside the Bermuda exchange control area which are freely convertible into currencies of any other country.

Limitations on Carrying on Business

The Company has been incorporated in Bermuda as an "exempted company". Under Bermuda law, exempted companies are companies formed for the purpose of conducting business outside Bermuda from a principal place in Bermuda. As a result, they are exempt from Bermuda laws restricting the percentage of share capital that may be held by non-Bermudians, but they may not participate in certain business transactions, including:

(a) the acquisition or holding of land in Bermuda (except that required for their business and held by way of lease or tenancy for terms of not more than 50 years) without the express authorization of the Bermuda legislature;

(b) the taking of mortgages on land in Bermuda to secure an amount in excess of BD$50,000 without the consent of the Minister of Finance;

(c) the acquisition of any bonds or debentures secured by any land in Bermuda, other than certain types of Bermuda government securities; or

(d) the carrying on of business of any kind in Bermuda, except in furtherance of their business carried on outside Bermuda or under license granted by the Minister of Finance of Bermuda.

Compulsory Acquisition Rules

Pursuant to the Bermuda Act, where a scheme or contract involving the transfer of shares of a Bermuda company has been approved by the holders of 90% of the shares, the offeror can then give notice in the prescribed form to any dissenting shareholder(s) and, unless on an application made by the dissenting shareholder (within one month from the date on which the notice was given), the Bermuda Court thinks fit to order otherwise, the offeror shall be entitled and bound to acquire the holdings of the dissenting shareholder(s).

Pursuant to the Bermuda Act, a holder of 95% of the shares of a Bermuda company can, on giving notice to the minority shareholders, force them to sell their interest to such 95% holder provided that the terms offered are the same for all of the holders of the shares whereupon the acquiring shareholder is bound to acquire the outstanding shares on the terms set out in the notice. The 5% shareholders can apply to the Bermuda Court for an appraisal of their shares. Once notice has been given, the acquiring shareholder is bound to acquire the outstanding shares on the terms set out in the notice.

2012 OUTLOOK

The Company is expected to spend approximately $42.8 million on the following drilling and other related activities in 2012:

- Buriticá:
    - During the first quarter of fiscal 2012, the Company submitted an environmental impact assessment (EIA) with the environmental authorities to seek approval to begin construction of a one-kilometre ramp starting in the Higabra valley and a switchback road from the existing road at the top of the mountain ridge to the Higabra valley. The ramp will initially be used for further exploration and eventually used for commercial purposes. The Company expects to receive the environmental permit and to begin construction in the second half of 2012**.**
    -
    - Complete phase III 60,000-metre drill program aimed at expanding and in-filling the Veta Sur and Yaragua zones in addition to testing the high-grade anomalies surrounding these zones.
    - Continued developmental efforts including geo-mechanical and metallurgical testing, and baseline environmental program at Buriticá.
    - Update the NI 43-101 resource estimate.
    - Completion of a preliminary economic assessment.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available under the Company's profile on SEDAR at www.sedar.com.